

Message Text

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66-61

ACTION ABF-01

INFO OCT-01 ARA-16 ISO-00 FSE-00 OPR-02 A-01 AID-20

CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01

OMB-01 INT-08 DRC-01 /109 W
----- 058614

R 131921Z AUG 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 9796

UNCLAS SANTIAGO 4831

E.O.11652:N/A

TAGS: EFIN AFSP CI

SUBJ: DEVALUATION OF EXCHANGE RATE

REF: A) SANTIAGO 4528; B) SANTIAGO 4799

1. EFFECTIVE AUGUST 13 CENTRAL BANK DEVALUED BANKERS RATE FROM 860 TO 900 ESCUDOS PER DOLLAR AND BROKERS RATE FROM 950 TO 970 ESCUDOS PER DOLLAR. RATE FOR LARGE COPPER MINES IS SAME AS THAT OF BANKERS RATE (REF B).

2. DEVALUATION IS 4.7 PERCENT FOR BANKERS RATE AND 2.1 PERCENT FOR BROKERS RATE NOMINAL DIFFERENTIAL BETWEEN TWO IS NOW REDUCED TO 7.8 PERCENT.

3. BETWEEN JUNE 1 AND JULY 31, 1974 BROKERS RATE HAS DEVALUED 31.9 PERCENT AND BANKERS RATE 30.3 PERCENT. DURING SAME PERIOD CONSUMER PRICE INDEX (CPI) HAS INCREASED BY 34.7 PERCENT.

4. COMMENT. REASON FOR NARROWING OF NOMINAL DIFFERENTIAL BETWEEN TWO RATES IS THAT CENTRAL BANK HAS REDUCED TIME NEEDED TO BUY FOREIGN EXCHANGE FROM 150 TO 120 DAYS. COST OF CREDIT INVOLVED IN TRANSACTION IS PASSED

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THROUGH TO IMPORTER, SO THAT TIME REDUCTION REDUCES

COSTS OF FX PURCHASE AT BROKERS RATE. THUS TWO RATES
REMAIN EFFECTIVELY UNITED.
POPPER

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NNN

Message Attributes

Automatic Decaptioning: X
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